Consumer Behaviour
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Module No. #01
Lecture No. #04
Use of Market Segmentation in Consumer Behaviour

Welcome, to the Fourth Module, of Consumer Behaviour.

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And today, our topic is, use of Market Segmentation in Consumer Behaviour. Myself, Dr Srabanti Mukherjee, from VGSOM, IIT Kharagpur, will deliver this Lecture.

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So, before going to the Concept of Segmentation, first we should understand, why do we

really need to segment the Market. As, you must be knowing, from the basic Marketing course, that Market, when we talk about Market, in the context of Marketing management, we mean, segregation of Buyers. That is how, when we talk about Market demand, we actually talk about, not the physical place as a Market, we talk about the group of Customer, segregation of the Customer.

When we talk about Market forecasting, similarly, we try to say about, forecasting of the Customer's needs and wants. Particularly, what kind of demands, they are placing, so and so. So similarly, here, what is the need of Market Segmentation. Market Segmentation is precisely, grouping the Customers, based on their homogeneous needs. So therefore, we need it. And, this is one of the most significant concepts in Consumer Behaviour, as well as in Marketing Literature.

A large portion of Consumer Research, these days, is actually concerned with the Concept of Segmentation. Because, selecting a Target Market, is one of the dominant need, in formation of any Marketing Strategy. Our resource is limited. We cannot actually focus, on all aspects of the society, all aspects, all different segments of the Customers actually, to sell our Products. Neither, the Product would be applicable, for all segments.

For example, if I am selling Dove. So, my Dove soap is not sellable, to the bottom of the pyramid, unless, I sell it in pouch packs. So therefore, if I want to sell this Dove, to the bottom of the pyramid, I have to sell in pouch packs. And, if I want to sell in the middle of the pyramid, or top of the pyramid, I can sell in a 100 ml, or 200 ml bottle. Or even, if I am selling a bachelor, I may sell it in a 100 ml bottle, or a pouch pack.

And, when I am selling it in a 3-Member Family, maybe, I am selling it in a 250 ml bottle, or 200 ml bottle, so on and so forth. So, this kind of understanding, that is, what should be the size of my bottle? What should be? Whether, I will Market it in a sachet. Or, whether, I will Market it in a bottle. Or, whether, this particular Product suits, to the needs of the Rural Customer, or to the Urban Customer.

What is the potential demand, for this particular Product? If, I really have to predict this, then I have to group the, I should know, what is the potential? What is the particular? How, I can divide the Market, particularly, based on their needs, their demands, and their characteristics,

per say. And, then only, I will see that, with whom, my companies image, my Products characteristics, matches the best. And, which segment is having the highest potential, for my Product.

So, that is the basic need actually, for grouping the Customers, into several homogeneous groups. That is what, is the Concept of Segmentation. So, earlier many Marketers focused on target Markets, in an all-purpose, non-personal way. But today, enhanced methods of Marketing Research, and efficient Computers, that can handle large databases, particularly big data give the Marketers, a detailed personal information about many members, of their target Market.

So, it is very easy now, by to cluster the Customers, into several group, and customise the Product, based on the requirement of different groups. This facilitates the firm, to target the appropriate and profitable segments, as i have already mentioned.

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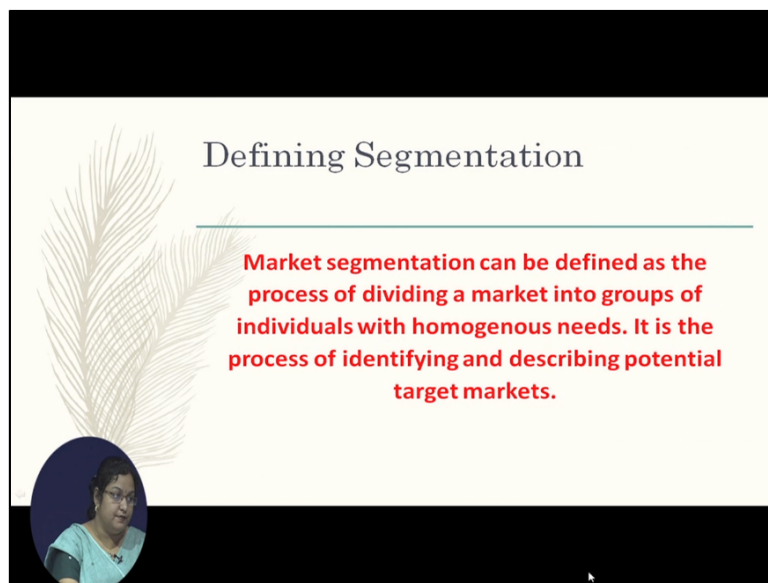
So, therefore in a nutshell, if you try to define the Concept of Segmentation, we can say that, it is basically the process of dividing the Market, into groups of individuals, with homogeneous needs, with respect to a particular Product. A person like me, may be a Brand Conscious Customer, when I am buying my Apparels. But, when I am buying a brand of Biscuit, I may not be brand conscious. So, my nature, when I am buying Biscuit, might be very different, when I am buying my Apparels.

So therefore, if you have to group the Customers, you have to group them, based on the

Product category also. And, how homogenous, each group are, with respect to a particular Product category. Right. So therefore, we say that, Market Segmentation can be defined as the process of dividing the Market, into groups of individuals, with homogeneous needs. It is the process of identifying, and describing, the potential target Markets.

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Now, how do we segment the Markets? How do we go about it? So, before that, there are usually three steps. The first step, or the first job, involved in segmenting the Market, is analysing the Consumer, and Product relationship. That is, the matching between the Product attributes, and the Customer's characteristics. This necessitates, the analysis of the Effort and Cognitions, Behaviour and Environment, involved in the purchase and consumption process, of a particular Product.

To be very simple, yesterday, I was talking about, Product called Godrej Chotookool, that is, in the First Module itself. Which, particularly was designed, based on the environment in where, the Rural Customers are staying, where the Electricity is little erratic. And therefore, their paying capacity, is also very less. So, given this to consideration, it was an affordable Battery driven Refrigerator, Mini Refrigerator kind of.

So, if you know that, what is the characteristics of the Customers, then actually, you can design a customised Product, based on the needs of a particular group of Customers. So, and also, you need to understand the environment, in which the Customers are in. Not only their individual characteristics, but also the Social Characteristics, in which, we are in. What kind of Reference Group, they are referring to? What kind of Culture, they belong to? What kind

of Subculture, they belong to? Everything has to be understood.

Step Two, is then, I am talking about Culture. I am talking about Subculture. I am talking about out the Characteristics of the Customer. But therefore, then what are the relevant basis, by which I can group the Customers? What are the Segmentation parameters? So, that is the task, in Step Number Two. Where, in the next slide, actually I will discuss about the basis of Segmentation, in a much detailed way. So, that is the Second task, based on which criteria, you are dividing the Market.

And, the Third task of the Marketer, is to choose the suitable Segmentation Strategy. Which means, that it is not only based on a Single Criterion, you are dividing the Market, you can actually be using a number of criteria, to divide the Market, or group the Customer. So, how do we combine, this different criteria? That is your Third step. Now, we come to the basis of Segmentation.

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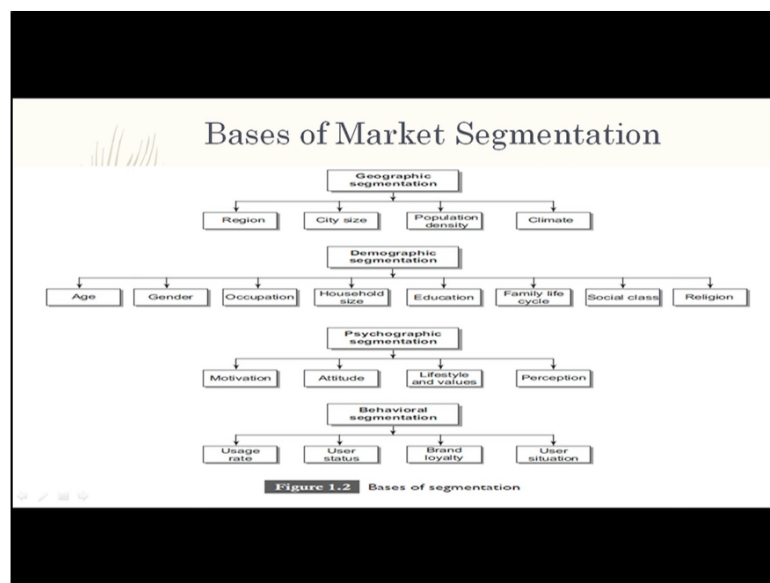
We have Four major basis of Segmentation. One is the Geographic Segmentation. Second is the Demographic Segmentation. Third is the Psychographic Segmentation. And, Fourth is the Behavioural Segmentation. Now, while talking about the Geographical Segmentation, or Geographic Segmentation, we have mainly Four parameters. We can have actually many, but four major parameters, based on Geography. One is the Region. That is, for example, in India, North, South, East, West, Hilly Region, or a Plain Region.

So, this kind of, how do we divide the Region? Second is the size of the City. Whether, you

are in a Metropolitan City, whether you are in a Tier-1 City, Tier-2 City, like this. Or, you are in a Rural area. So, need would be very different, that is why. Then comes, your Population Density. How thick is the Population, in one Area? Because, accordingly the Marketers will design their Distribution Channel.

How many units to be supplied, to the retailers and wholesalers, in a particular location. That would be actually depending on, the density of the population, in a particular location, or a particular City. And finally, we also see, that the climatic condition, is also a very important condition. Because, if it is a like, because of the humid climate, in Eastern and Western part of the country, we see that people wear, more of Cotton made Garments.

So, that indicates that, climate actually segments the Customers, and based on their different kind of needs. Region wise also, like LG Electronics, they have actually planned to launch Microwaves, for specific Dishes, which are popular in East and South. So, this kind of concept is possible. Then, coming to Demographic Segmentation. In Demographic Segmentation, is one of the very crucial, and very key parameter of Segmentation. That is, first one, we can tell about Age.

Say, when we segment the Market, based on different kind of, Size of the Shoes. So, that is also, we are actually segmenting the Market, Age wise. That is how, we get the size. We have Kids segment. We have Adult segment. In Adult Segment, how many Sizes, which we will prepare. Even, Gender is another parameter, to segment the Market. For example, Horlicks has done. And, they have used Women's Horlicks, Mother's Horlicks, particularly for the Female segment.

Occupation wise also, you can divide the Customer. Because, Occupation wise, the Lifestyle will be very different. Tanishq has designed their particularly, Mia, My Expression contest, for the working Ladies. Given, the Household size. Household size, if you look at like, if is a Single House like, Single Member is staying in a Maze, or Single Member is staying in a Household, then obviously, they can buy a very small unit of any Product. Or, they can by pouch packs, or sachets kind of things.

But, when we are talking about Big Family size, or Larger Family size of 4 or 5, maybe then, you are talking about a 200-gram pack of Surf Excel, or any this kind of things. So,

Household size also is a determinant of, how you design your Product. Education wise. Particularly, when you are designing a Smarts Product, it also depends on the Education level of the Customer. Because, for handling Smart Products also, you require certain level of Literacy.

Family Life cycle, is another very interesting concept, to segment the Market. That is, different stages of a Family, starting from the Bachelorhood, till Solitary survivor. So, it is like this. The first stage is the Bachelorhood. When the Customer is staying alone, maybe in a Solitary mess, or in a House, he or she is staying alone. So, that time usually, the kind of Products they consume is like, some Electronic gadgets may be, Mobile handsets, some single serving packs, Ready to eat food, or these things.

Or, when we enter in the next phase, that is the Full-Nest-1, the Couple without Children. Even, you can see, the Tourism companies are designing, Honeymoon packages and all this, just to attract this kind of Newly Wedded couples. And, they will buy several kind of Furniture's, and all other things, just you know, to decorate the House, and repair the requirement of Household. Then comes, the Married children, with Children, less than 5 years old. So that is Full-Nest-2

In that stage, you will have to buy, lot of Baby Products. Johnson & Johnson, particularly targets this kind of segments, with the Baby Products. Then, Medicines. Then, you have Crèche, all these kind of Product. These kind of Services, are basically targeting, this stage of the Family Life cycle. You go to the next step, where adults with, I mean, the Couples with grown-up Children. That is, the Full-Nest-3

So there, you have grown-up Children. So, the Educational expense will go up. Children will demand, different kind of approach, different kind of gadgets, the Education, as they have already mentioned. the Education expense will also go up. So, that is the demand of that stage. Then, you move to the other stage, that is Empty-Nest-1. when which, your Children have already grown up, but they are not staying with you.

So, in that stage, the Families are again, they can go for some Tours. They are spending, more on Medicinal expenditures, and all this. And finally, come to Solitary survivor. When, any one of the Husband and Wife are surviving. Again, Medical expenses will go up. Spectacles,

Walking sticks, Old Age homes, can target, this kind of population. So, that is the implication of Family Life cycle. Even, the pack size of the Product can be determined, by the stage of the Family Life cycle, in which the Customer belongs to.

For example, as I have already mentioned, that the bigger packs will be targeted, towards the Full-Nest-2, and Full-Nest-3, mainly. Social class, the Upper class, Low and Middle class, in this way, this is Income, as well as the level of Elegance. Like, Reid & Taylor, tries to show the Elegance of Amitabh Bachan. And, that is the thing, they wanted to portray. Limousine cars, for example, they portray, that the Product is for the, very Upper Income population, Upper Class population, rather.

Then, we have religion. Religion wise, the Market is also segmented. Because, religious wise, the festival pattern will differ. And your, particularly, Apparels, Eateries, will have a boom, during the Festival season, for any particular Religion. So, that is how, the Markets could be targeted. But, yes, these days, a new dimension of dividing the Market, is based on Geodemographics.

And, the Geodemographics could be a process of Hybrid Segmentation, which combines the Geography, as well as the Demographic Segmentation basis, together. Prism, in US. This is a survey done by, Nielsen group. And, they have actually divided the population, into 66 Segments, according to Postal Zip code. Again, within this 66 Segment, they have used the Urbanisation classes.

And again, they had 4 kind of Population density, like Urban, Sub-Urban, Second City, Town and Rural. Again, within that, they have identified different Lifestyle classes like, Younger years, then the stage in the Family Life cycle, and the Martyrs. And, within that also, the Market is segmented, again. They have also divided it, based on the Lifestyle groups, the cycle, that is the Financial and well cycle. Then, income producing Assets, has also been used as a method, as a criterion, to segment the Market.

And, also based on the adaptation of technology, this prism is further divided. So, they are not only using the Geographic Segmentation parameter, they are simultaneously using the Demographic Segmentation parameter, as well. Then comes, the Psychographic Segmentation parameters. Psychographic Segmentation parameters, relates to Psycho aspects

of the Customers, in which, we have the motivation, that is the motive of the Customer, to buy a Product.

For example, if I am buying a Car, for luxury and style, then something else, then different kind of Car would be, meant for me. But, when I am looking, that my Child should go to the School, in a very safe way. So, safety, spaciousness, could be my concern, rather than the style of the Car. Then, obviously, a different kind of Car, would be meant for me. So, that is how, what is the purpose, what is the motivation, then what is my attitude, towards certain purchase.

What is my Lifestyle? If, my Lifestyle is like, if I am a frequent user of technology may be, I am very Tech-Savvy, then I have a habit of purchasing things, online. Sometimes, I am not so Tech-Savvy, then my lifestyle would be like, I like to go to Kirana stores. Because, I get a flavour of society. I get a flavour of neighbourhood also, from there. That is my Lifestyle. I like to be, in that way. Then comes, the concept of perception.

How do I perceive, about a brand? If a Product, the look of the Product. How do I perceive from the, Colour of the Product? How do I perceive from the, Packaging of the Product? All this, comes under my perception. Like, if I say that, this is an herbal Product. Whether, I think that it, I mean, what kind of Herbal Product it. Is it meant for me? So, what perception do I have, towards a particular Product. So, that Marketer has to decide, if they can perceptually also, divide the Customer.

And, that is the process of perceptual mapping, which actually, we can divide different brands, based on the proximity of those brands, in the Customer's mind space. For example, Sensodyne Toothpaste, and Colgate Sensitive, may be perceived very similar, to a particular Customer, based on the need, which it serves. But similarly, Colgate Sensitive, and Colgate Shining White, might be of little different use, to me.

Similarly, we have Behavioural Segmentation. In Behavioural Segmentation, we have usage rate. How frequently, I use the Product. Particularly, the Cigarette manufacturers, Alcohol manufacturers, they can actually use, these kind of frequency of uses. Vodafone, Airtel, this kind of companies also, plan their packages, based on the frequency of use, the User rate basically, how much, I consume. Then, the User status. That is, the User's readiness state,

whether they are immediately ready to purchase.

Whether they are thinking to purchase. Whether, they are just got the information, about the Product. So, based on that, further information could be provided, to the Customer. And, the advertising messages could be designed, accordingly. What is the loyalty status of the Customer, for a particular brand? Whether, they are brand loyal, or whether they are not so loyal, to the branded brands. Which is, then accordingly, the strategies can be taken, by the Marketers.

Then, the situation of the user. Obviously, it shows that, the Social Environmental condition of the Buyer, in which they are in. Another Behavioural Segmentation, which is upcoming. That is, media based Segmentation, based on the media habits of the Customer. How frequently, do you watch Television. At what time, do you watch Television.

Are you, a frequent viewer of the Television? Or, you are more accustomed of reading, or reading Journals or Magazines. Or, you are more accustomed of listening FM, and all this. So, based on that, you know, Advertisers can target you, in that particular time, and also in that particular Media.

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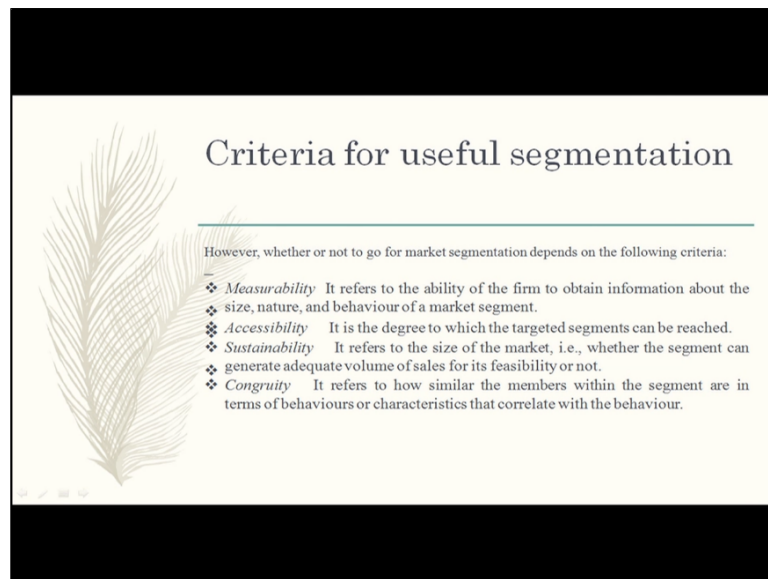
So, the criteria of useful Segmentation are like, it has to be Measurable. Secondly, it has to be Accessible. It has to be Sustainable. It has to be Congruent, to the company's Products characteristics also. So, these 5 things, has to be there, to be a segment to be meaningful. And, the Marketers, can only target a segment, if it is fulfilling these 5 criteria.

Now, coming to the concept of targeting. Here, there is one concept of Micro Marketing. Where, sometimes, each Customer is treated as a single segment. Which means, you are actually specifying or targeting a Customer, within a Niche Market. For example, when you are designing a Dress, for a Hero, in a particular Movie.

So therefore, as we state, Targeting means, Target Market is specially the group of potential Customers for whom, the entire Marketing efforts, particularly the Marketing mix, Product price-based promotion, are planned, from the Marketer's point of view. For example, Dove targets, the High-end Customers. Whereas, Lifebuoy targets, the base of the Pyramid.

Targeting are of two types:

– undifferentiated strategy
– concentration strategy
– multiple-segment strategy

Targeting are of three kinds. So, A is the Undifferentiated strategy, B is the Concentration strategy, and C is the Multi-Segment strategy. So, in Undifferentiated strategy, we say that, it is a kind of Mass Market. In Mass Market, we, like Tata salt. Salt cannot be differentiated much. Only pack sizes could be different. So, this is Undifferentiated strategy. Then, the Concentration strategy, that is Single Market, other than Niche Market, you are targeting.

For example, Limousine cars. It targets, only a Single Market. Tanishq jewellery. It targets, the Upper Income Customers, most of the time. So, it could be a Concentration strategy like this. De Beers. They also target, the Upper Income Customers. Similarly, some Products like pesticides. It only targets, the Lower Income Customers. Now, there is a slight difference between, the Niche Market, and the Concentration Strategy.

Niche Market is, when you are targeting, only the Premium Customers. While, Concentration is, we are targeting a Single Market, it maybe Niche, it may be otherwise also. Multi Segment strategy is, when you are going for targeting, multiple segments together. Like, Hindustan Unilever is having, different kind of Toilet soaps. They are having Lifebuoy. They are having Dove. They are having Lux. And, several soaps, for different Customers.

They are having Surf excel, for the Upper Middle Income segment. They are having a Wheel, for the Lower-Income segment. So, this is possible. Sunsilk, is again having Multi Segment strategy. They are having, 8 variants of Shampoo, based on different Behavioural needs of the Customer. Like, someone wants Shiny hair, some may want Thick hair, kind of. So, there are another way of Behavioural Targeting.

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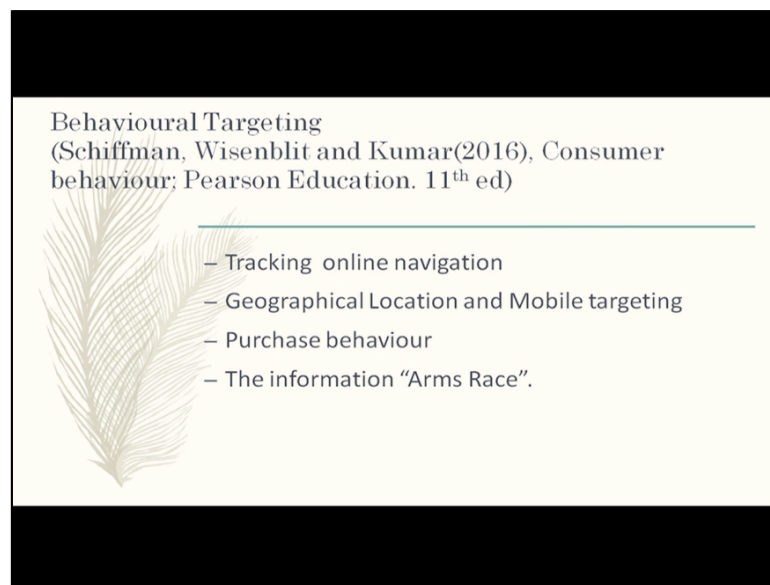
So, this is like, Schiffman has mentioned that, tracking the online navigation of the Customer. Which are the sites, they are viewing? Which are the kind of Products, that Customers are viewing online? What kind of Products, they are searching? So, based on that actually, for the next time, when they, for example, in amazon, I am searching, certain books, or certain Products. So, next time, when I search, so they actually track my way of searching, from my IP.

And then, the next time, they can actually provide, similar kind of Products, in the pin. So that, I can have a choice, to choose from there. Because, they try to understand, my choice and preference. Similar things are done by, most of the shopping sites. Once, you purchase anything from there, they can show, similar things in the pin, as a possible purchase. So Similarly, Mobile targeting could be done. Some of the US Movie Halls, they do this, based on the cluster in which the, you know, if you have booked a ticket from one online site.

So, in the next time, when there is a vacancy seat in a movie hall, they can actually communicate to that particular Buyer, that a movie seat is vacant. So, this is another way, which is coming up. Based on Purchase Behaviour, you can track, particularly from the Retail

data, Scanner data, you can track. And obviously, the way you search your Social Networking habits, that is what the Schiffman has called as, Information Arms Race.
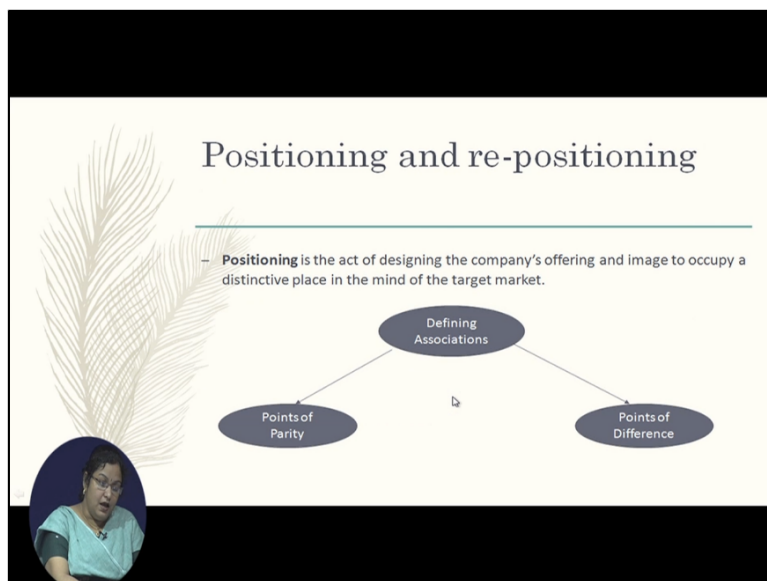
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So, that has been done. Then, guidelines in selecting a Target Market, is like, first you check the compatibility of the Target Market, with the Firm's goal and image, which I have already mentioned. Second is, check the Target Markets, match with the Firm's Resource and capability. I may think of a Product, which is a Premium Product, which may cater to the need of the Upper Income Customers. Or, freely, do I have the resource to produce it, or to promote it. That also, has to be thought of. It should have a realistic profit potential.

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And then, it should analyse the competition in the Market. If, the competition is little less, it is better. Then coming, how do we position the Product? Positioning means, there is an act of

designing the company's offering, and image to occupy a distinctive place, in the mind of the Customers. So there, you have to define the association, A is the Points of Parity, and B is the Points of Difference.

Points of Parity means like, which brand, you are. And, point of difference is, how are you different, in that segment. Colgate Sensitive and Sensodyne may be, are similar kind of Products. But, they may have their, own perceive differentiation.

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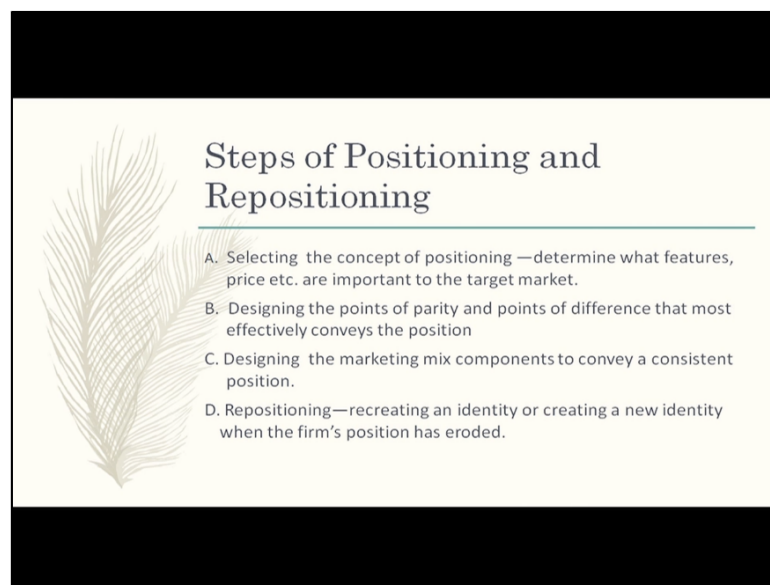
So, the Steps of Positioning is like, you select a particular concept of, what feature, how do you want to position. For example, if I talk about BMW, Elegant, Bavarian Mystic, comes in my mind. So, what are the features, should I design, so that the Customers perceive the brand, in a certain way. If I talk about Limousine, an elegance comes in my mind. So, that is one part. Then, designing the Points of Parity, and Points of Difference.

How similar you are. How similar is Parle Marie, with Britannia Marie? And, how it is different? Then, designing the Marketing mix, accordingly. Which means, you may have a shuffling in the Product design. Like Sunsilk, you may have different kind of variations, or distinction in the Product, based on the needs of the Customer. And accordingly, position the brand. You may have pricing, accordingly. Like, Dove has, you know, pouch pack, to convey that, it is also for a single consumption.

So, like this, you can have, different kind of pricing strategy, differential pricing strategy. For example, if the price is too high, you perceive it as a premium brand. If the price is less, you

can have a different perception. Chivas Regal, long back, they have, when they were suffering a bit, they have just increase the price, almost double the price, and the sales increase.

That was a kind of premiumising the brand, and known as Chivas Regal effect, in the Marketing. And, this was a phenomenal case. So, this may happen. And then, there could be a case of Repositioning also. Repositioning, sometimes, you may have created a wrong positioning, or the positioning is not working. So therefore, you may need to redefine your position, in the mind of the Customer.

Similarly, as Tanishq, when it came, it was positioned as a very sleek Jewellery, particularly for the Elite, Urban, Working, kind of Customers. But, later on, it is identified that, the Market is better for the, I mean, the Jewellery Market, is mostly Concentrated, in the Wedding segment. So, they have position themselves, as a Wedding Jeweller also. But, they also continued, a different brand called, Tanishq Mia, for the Working segment.

So, this kind of positioning, repositioning, <mark>midsize</mark>((29:26)) positioning also, you can do, for different segments. IHCL, which is the Indian Hotel Corporation Limited, they have two hotels. For example, Taj Group of Hotels, for the Upper Income. They also have, Ginger Group of Hotels, for the Lower-Income segment. So, they have simultaneously premiumised, their Product and their Service. And, they have also, you know, made it to cater, to the basic segments.

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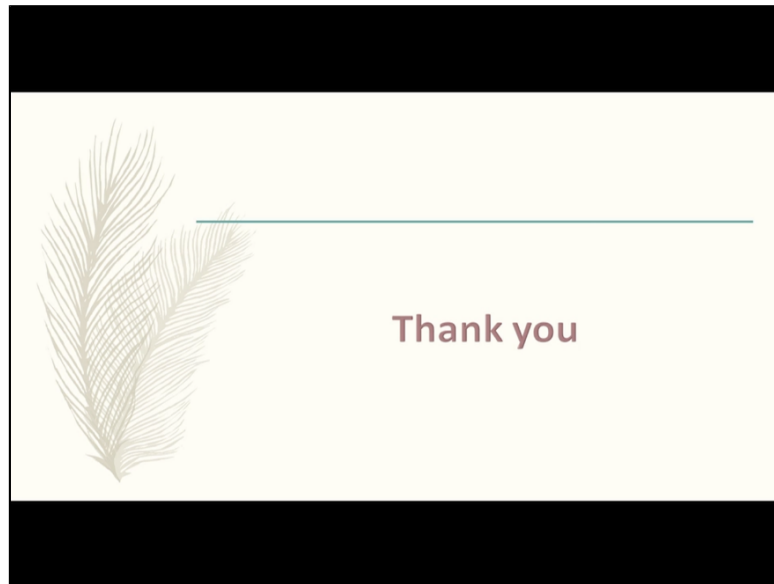
So, this was in short, the Concept of Segmentation, Targeting, Positioning, and its use, in Consumer Behaviour. So, thank you. Meet you, in the next Module.